



VOLUME II, NUMBER 6

NOVEMBER/DECEMBER 1996

A Message From Betsy Hicks...

Dear Colleague:

1997 promises to be exciting for all of us as we gear up for year four of the Direct Loan Program. Reauthorization of the Higher Education Act will provide an opportunity to strengthen federal support of all federal higher education programs, and we will be seeking your help and guidance throughout the year as we work on this important initiative.

Within Student Financial Assistance Programs (SFAP), our most significant challenge for the coming year will be to improve customer service and transform the federal student financial aid delivery system into a streamlined, simpler system for schools and borrowers. I believe we are making progress toward these goals.

When we began this process, we asked you three questions: what are your needs? what have we done already to address these needs? and what more do we need to do to make your job easier and simpler? The feedback you gave us was very useful. You told us that we could be more aggressive in responding to computer-related problems. You also asked that we provide more timely and accurate responses to telephone inquiries, and you suggested that we need to further reduce regulatory requirements/restrictions.

We will make the three key elements -- ease, simplicity, and flexibility -- that have made direct lending so successful our standards to address your concerns. We are committed to providing the best service possible through a better coordinated and more efficient system.

I look forward to working with you in the coming months to meet these challenges.

With best regards,

Elizabeth M. Hicks

DEPARTMENT OF EDUCATION'S PLANS FOR HIGHER EDUCATION ACT REAUTHORIZATION

The Department is currently developing ideas and proposals for reauthorization of the Higher Education Act (HEA). We want to take this opportunity to let you know where we are and how we plan to proceed. A steering committee co-chaired by the Acting Deputy Secretary and the Assistant Secretary for Postsecondary Education is guiding the Department's reauthorization efforts. Senior level representatives from across the Department and the Office of Management and Budget serve on the committee. In addition to the steering committee, nine staff-level working groups are developing options for the committee to consider.

Overall, we think programs authorized by the Higher Education Act work well. They provide a strong foundation of support that has dramatically increased access to higher education for a broad range of students. As part of reauthorization of the Higher Education Act, we will consider how to make these programs work better. We will also consider how these programs complement the President's proposals to help families increase savings for education and to reduce taxes for persons who invest in their education. We are aiming to have a complete legislative package by the end of April. Some pieces of the reauthorization package such as the HOPE scholarship legislation and legislation relating to the loan programs may be sent to the Congress earlier.

We plan to hold regional meetings in early December to obtain comments and suggestions from you and other members of the higher education community. The Department will also publish a notice in the *Federal Register*, soliciting written comments. To make it more convenient for you to contact us directly at any time, we have established an e-mail address. We encourage you to use this address to share your comments with us. The URL is: reauth_1@ed.gov
(Continued on page 2)

IMPORTANT ANNOUNCEMENT

It was previously announced that the new Direct Loan web site would go live in mid-October. The date for implementation of the new world wide web site has been postponed to mid-January 1997.

(Reauthorization Contd.)

With limited government resources and changing technology our reauthorization strategy is to:

- ▶ **Emphasize opportunity with responsibility.** We will continue to increase access to postsecondary education by: supporting strong campus-based programs such as the work-study program; providing students with a range of options for loan repayment including income-contingent repayment; removing disincentives for saving and working; and providing appropriate incentives to encourage parents to save for their children's education.
- ▶ **Support effective education: high standards and high achievement.** We will continue to promote high achievement through: the Presidential Honors Scholarship proposal; and programs that encourage the effective use of new technology and other innovations to meet the changing needs of students and industry.
- ▶ **Simplify program delivery and improve management.** We will improve service to students and schools by: simplifying and reducing statutory, regulatory, and administrative burden; developing appropriate safeguards to improve the quality and effectiveness of oversight responsibilities; and providing additional burden reduction to institutions with a record of outstanding management of federal programs.
- ▶ **Promote outreach and linkages.** We will continue to promote outreach to elementary and secondary students, including disadvantaged and disabled students by: supporting programs that encourage them to stay in school; improving linkages to secondary education programs that help students develop high skills; and expanding and improving linkages to the workforce.

We will keep you posted as we continue our work on the Higher Education Act reauthorization proposal.

FUNDING HAS INCREASED FOR KEY EDUCATION PROGRAMS

The Omnibus Consolidated Appropriations Act for fiscal year 1997 provided more than \$26.3 billion for the Department, including significant increases for many postsecondary education programs. The bill meets, and sometimes exceeds, the Administration's request, providing the resources needed to support these programs.

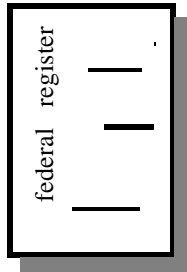
\$38.2 billion in federal student financial aid will be available to an estimated 8.2 million postsecondary students in 1997. This represents an increase of \$3.6 billion that will be used to provide assistance for almost 900,000 more students in 1997 than in 1996.

- ▶ The 1997 budget provides an increase in administrative costs for the federal student loan programs; a total of \$491 million in mandatory funds to pay student loan costs and \$47 million for discretionary administrative costs. The increase in funding will let us continue choice and competition between the Federal Family Education Loan (FFEL) and Direct Loan Programs.
- ▶ For the Perkins Loan Program, Federal Capital Contributions were restored to the 1995 level of \$158 million, permitting 788,000 eligible college students to receive low-interest loans.
- ▶ The College Work-Study program achieved an impressive 35 percent increase in funding, to \$830 million in 1997. This level of support will provide jobs for 960,000 students and will bring the program much closer to the Administration's goal of serving one million students by the year 2000.
- ▶ The appropriations bill increases the maximum Pell grant to its highest level from \$2,470 to \$2,700. The \$6.4 billion in total funding for the program will allow 3.8 million needy students to receive Pell Grants, an increase of 126,000 recipients.
- ▶ In other funding, the appropriations bill level-funded the Supplemental Educational Opportunity Grant program at \$583.4 million and provided \$50 million for the State Student Incentive Grant program. Federal TRIO programs won \$500 million in fiscal year 1997, an increase of \$37 million. The increase will allow TRIO to encourage 685,000 low-income, first-generation college students to attend and complete college.

The increase in funding for postsecondary education programs will help to make college more affordable for all students. We worked hard to get this far, and we plan to continue our efforts to sustain a reasonable level of funding that will help students, parents and states realize the benefits of federal investment in higher education.

POLICY UPDATE

(Notice of Proposed Rulemaking Student Financial Assistance Programs)



Final Notice:

This notice establishes processing deadlines (for institutions that participated in Year 1 and Year 2 of the Direct Loan Program) for submission of promissory notes and electronic loan records. The deadline for processing all electronic records and promissory notes for loans made during Year 1 (academic year 1994-1995) is November 22, 1996. The deadline for processing all electronic records and promissory notes for loans made during Year 2 (academic year 1995-1996) is July 31, 1997. ***Published in the Federal Register October 8, 1996***

(Please note there may be significant changes to the following proposed provisions when they become final.)

Record Retention NPRM

This notice proposes to reduce from 5 years to 3 the length of time that a recipient of federal funds is required to maintain records. In addition, the Secretary is proposing to consolidate and clarify existing records retention rules, and reduce administrative burden on institutions. ***Published in the Federal Register September 13, 1996***

Financial Responsibility NPRM

This notice proposes to use a methodology developed by KPMG Peat Marwick LLP to measure basic elements of financial health of postsecondary institutions. A more extensive discussion of the KPMG methodology is contained in the appendix of the NPRM. ***Published in the Federal Register September 20, 1996***

Cash Management NPRM

- √ establishes uniform definition of payment period for all Title IV Programs;
- √ provides information about and establishes a definition of “just-in-time”;
- √ requires notice to borrowers regarding their rights to cancel a disbursement;
- √ establishes 3-day rule for return of FFEL funds received by EFT or Mastercheck. ***Published in the Federal Register September 23, 1996***

NOTICE OF NEW APPLICATION AND PROCESSING PROCEDURES FOR DIRECT CONSOLIDATION LOANS

The Department has revised the Direct Consolidation Loan application procedures. The previous application form expired on September 30, 1996, and the new form no longer includes the promissory note as a part of the document. Under the new process, borrowers who apply for Direct Consolidation Loans on or after October 1, 1996, complete their application form and submit it to the loan origination center (address below). Once the information in the borrower’s application is processed and the balances and other information verified, the borrower will receive a preprinted promissory note to sign.

NOTICE: In most cases, borrowers who signed and submitted the old application form before October 1 will not need to complete a new one. Their applications will be processed using the combined application and promissory note. However, Direct Consolidation Loan applications mailed before mid-September are being processed at the old location. The borrower must call (800) 848-0982 to obtain his/her loan status.

The new address and telephone number of the Direct Consolidation Loan originator is:

U.S. Department of Education
Consolidation Department
Loan Origination Center
P.O. Box 4272
Montgomery, Alabama 36103-4272
Telephone number: (800) 557-7392 TDD: (800) 557-7395

TRAINING

Getting Started in EDEExpress. The two-day and three-day sessions are intended for financial aid personnel with day-to-day responsibilities for electronic application processing and other electronic functions. The training is hands-on computer training, with a curriculum that includes exercises designed to improve the participant's skills and comfort level with the software. Training sessions are scheduled for: **Boston, Massachusetts** December 3-5; **Atlanta, Georgia** December 11-13, January 8-9 and January 22-23*; **Dallas, TX** December 3-5*; **Seattle, Washington** December 3-5*; **Washington, DC** December 4-6 and January 22-24*; **New York, New York** December 11-12, January 8-9, January 13-14 and February 12-13; **Chicago, Illinois** December 3-4 and December 11-12; **Kansas City, Missouri** December 3-4 and December 11-12; **San Francisco, California** December 3-4; **San Diego, California** December 9-11; **Burbank California** January 6-8; **Denver, Colorado** December 11-12.

* Three-day sessions include a packaging module on the third day.

Precertification Training. This one-week training session is basic but thorough Title IV training. Participants learn about the Title IV programs, financial issues, and roles and responsibilities of financial aid personnel. Training is conducted approximately eight times each year. Training sessions are scheduled for: **Atlanta, Georgia** December 16-20; **Kansas City, Missouri** February 10-14, 1997; **New York, New York** March 17-21, 1997.

Direct Loan Cash Management and Data Matching (Reconciliation). This two-day training session is designed for school and third-party servicer staff to provide a better understanding of the Direct Loan Program reconciliation process and the Department of Education's software. The training will assist you with cash management of Direct Loan funds, and completion of the required monthly data match including recording and transmitting loan origination records, promissory notes, and disbursements. Training sessions are scheduled for: **Atlanta, Georgia** December 3-4; **Dallas, Texas** December 3-5; **Denver, Colorado** December 3-4; **New York, New York** December 18-19; **Kansas City, Missouri** December 5-6; **Washington, DC** December 17-18.

ABOUT OUR NEWSLETTER

The Direct Loan Newsletter is published bi-monthly by:
Office of Postsecondary Education
Direct Loan Task Force
U.S. Department of Education
600 Independence Avenue SW
Washington, D.C. 20202-5111

Editor: Joyce Rice

Copies are available free of charge upon request from the Direct Loan Servicing Center, School Relations Division, 1-800-848-0978 OR the newsletter may be downloaded from the Internet. The URL is:
<http://www.ed.gov/offices/OPE/DirectLoan/>

ED/OPE96-11